

Date: **September 6, 2022**

BSE Limited

Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400001
Scrip Code: 517214

National Stock Exchange of India Limited

Exchange Plaza, Plot No. C/1, G Block
Bandra – Kurla Complex, Bandra (E)
Mumbai – 400 051
Scrip Code: DIGISPICE

**Sub: Transcript of the Investors/Analysts Conference Call
held on 30th August, 2022**

Dear Sir/Madam,

In continuation to our letter dated 29th August, 2022 intimating you about the schedule of the conference call for Investors/Analysts held on 30th August, 2022 with senior management team of the Company and its material subsidiary, please find attached herewith the transcript of the aforesaid conference call.

Further, this is to confirm that no unpublished price sensitive information was shared/discussed in the aforesaid call.

The transcript will also be available on the website of the Company at <https://investorrelations.digispice.com/information.php?page=transcripts> .

You are requested to kindly take the above on record and acknowledge the receipt of the same.

Thanking you.

Yours faithfully,
for **DiGiSPICE Technologies Limited**

(Ruchi Mehta)
Company Secretary & Compliance Officer

Encl.: as above

“Digispice Technologies Limited Q1 FY23 Earnings Conference Call” August 30, 2022

Attendees: Mr. Dilip Modi, Chairman, DiGiSPICE Technologies Limited;
Mr. Vinit Kishore, CFO, DiGiSPICE Technologies Limited;
Mr. Sanjeev Kumar, Co-Founder and CEO of Spice Money Limited;
Mr. Rajneesh Arora, Co-Founder and Chief Product and Strategy Officer, Spice Money Limited; and
Mr. Sunil Kapoor, Director and CFO, Spice Money Limited.

Shiv Muttoo:

Good afternoon, Everyone. Warm welcome to the Digispice Technologies Q1 FY23 earnings zoom webinar. We have with us today Mr. Sanjeev Kumar, Co-Founder and CEO of Spice Money; Mr. Rajneesh Arora, Co-Founder and Chief Product and Strategy Officer, Spice Money; and Mr. Sunil Kapoor, Director and CFO, Spice Money.

Before we begin, I would like to state that some statements made in today's discussion maybe forward-looking in nature. The actual results may vary as they are dependent on several external factors. A statement in this regard has been included in the result presentation sent to you earlier. We will commence the call with the management taking you through the operational and financial performance for the period under review, following which we will have an interactive Q&A session.

I would now like to invite Mr. Rajneesh Arora to commence the presentation. Over to you, Rajneesh.

Rajneesh Arora:

Thank you, Shiv. Hi everyone, a very warm welcome to this session. Thank you so much for taking out the time. Let's begin with the presentation, please. So this presentation is available on the website and also shared with the relevant stock exchanges. What I'll do is, I mean just hope some of you would have gone through the presentation. So what we'll do is we'll touch upon the key messages out of these presentations so we can quickly move on to the Q&A session. So as some of you may be aware or people who are attending are new to Digispice. There are two primary segments within Digispice business. One of them is called Fintech segment which houses the Spice Money business, Spice Money is a subsidiary of Digispice and Spice Money is India's leading Rural Fintech platform. This segment today contributes more than 90% of the total consolidated revenues of Digispice. The other segment relates to Digital Technology services and is less than 10% of the total revenues. This segment largely deals with providing digital solutions to enterprises, which include Telcos, BFSI and other Enterprises.

Since Spice Money contributes significantly to the overall financials of Digispice, we are largely going to focus our discussion on Spice Money today. So when we talk about Spice Money, the fundamental

problem that we are really solving here is the lack of access for rural citizens in the country. So we are basically making the financial services accessible to India's rural citizens and in a way we are revolutionizing the way banking happens within Bharat. Bharat we refer to as semi urban and rural and just to specify what is semi urban and rural mean here, a semi urban refers to the way about 6,000 blocks in the Country. So there are about 712 district headquarters in the Country which House 6,000 blocks and six lacs villages. So semi urban and rural refer to the blocks and villages in the Country. The current status of where Spice Money as a rural Fintech platform has reached is that we have in excess of 1 million Spice Money Adhikaris who operate on Spice Money platform. Spice Money Adhikaris are rural entrepreneurs or small retail merchants within blocks and villages who also double up providing banking and financial services to the end consumers.

Spice Money today processes transactions worth 1,70,000 crores on an annualized basis. And for one of our key products, AEPS, which is Aadhaar Enabled Payment System, we have a market share of 17.2%, in the off-us AEPS value market share. In terms of our penetration, we cover most of the 6,000 plus blocks within the Country. And we are today present in about 2 lacs villages out of the total 6 lacs villages in the Country and from a PIN code perspective, there is a coverage of about 18,000 plus pin codes within the Country.

So just taking a view on how the whole Digital Payments Ecosystem is evolving in the Country, we've all seen digital payments significantly growing especially over the last couple of years. Today, there is about a \$3 trillion market with respect to digital payments in the Country and according to a report by BCG, this is expected to grow to about \$10 trillion market in the next five years. What is important to note is that the key drivers which has led to the growth of digital payments till now are one is the core expansion in the digital infrastructure. So basically a growth and penetration of smartphones and availability of products or new products like UPI which have significantly led to this growth. This growth has obviously been accelerated during pandemic. That's when we've seen the maximum growth. And the growth has also been driven by the growing merchant acceptance. So today

typically most of the merchants are able to accept digital payments primarily through a QR which works on UPI platform. What will lead to the growth going forward, I think these are very important parameters to understand besides what has already been leading to the growth, is building customer trust, addressing concerns around fraud management and simplify digital onboarding. So it's a lot more to do with the relevance of the product, which is now needed to bring people into the fold of Digital Payments who have till date been excluded out of the system. So I think this is the key take away from this slide.

So this slide talks about where Spice Money is operating, in the rural market and how large and addressable is the rural market for India. So, rural today contributes about 46% to the National GDP and over the last more than five years it has consistently grown over at the rate of about 10% plus year on year, right. So really if you look at the India's GDP that itself is being driven by rural. Second, about 2/3rd of the total workforce in the Country is employed in rural India, that's about 35 crore people employed and about 34 crores Internet subscribers in rural India, which has now exceeded urban India. In fact, it is 20 percent, this number in absolute is 20% more than urban India. So the point is that the overall economy and banking and financial services in particular, is going to be driven by rural India, that's what all the reports are saying. The key infrastructure on the basis of which this entire growth has been happening and will happen within rural India, there are very 3 core infrastructural elements which become very very relevant for rural. One of them is typically known as the JAM Trinity, Jan Dhan Aadhaar Mobile, Jan Dhan refers to the bank accounts which have been opened for people in general. So, today, there are about 46 crore Jan Dhan accounts that have been opened. A majority of them, about 31 crores, is for rural citizens and also a significant part of them is for women. So in general the message is that the banking penetration is continuing to increase.

The second key infrastructure foundational block is the Aadhaar. An entire population today has a biometric based Aadhaar available and for a large part of them their Aadhaar are seated in the bank account and this enables banking easier. The third is of course the growing

penetration of smartphone subscribers and that already rural is leading in terms of the growth of smartphone penetration in the Country. So the opportunity is actually enabled by a tech inclusive framework which is a mix of the growing digital infrastructure and what is called as an India stack or the public infrastructure which has become available for use.

So, this slide talks about essentially, how a rural market is very different from the urban market. The relevant points being, so if you look at an urban market and if you look at a retail merchant. You will largely find that a retail merchant focuses on a particular category of goods. So there's a shoe seller, there is a garment seller, there is an FMCG seller. The moment you go down to smaller towns and villages, there is typically a merchant who's catering to multiple categories. So if I look at from a merchant's perspective, a merchant within urban is always looking for deepening within the category to grow his income, a merchant within rural is always looking to expand the number of categories to grow. And this becomes very, very relevant for the Spice Money business model. The relationship between the customer and the merchants in urban is largely transaction driven or its footfall in transactions driven. So, you like something, you pay and you move on and next time you're probably shopping at a different shop. In rural of course, this entire relationship is driven by community. It is like an intergenerational relationship that a rural merchant holds with the customers within rural. Coming to trust, in urban the trust is largely driven by marketing, advertising, brands. So our lens to any product or service is through the brand, what we think of the brand the moment you go to rural, the trust is largely driven by word of mouth and then the brand or the advertising starts to play. Again a very important point to understand how these nuances become very, very different between urban and rural and therefore how they decide what business models to chase. We all know in urban, relatively speaking, the demand is for a larger size products, in rural the demand is for a smaller ticket size products. I mean, we've seen this in FMCG where the whole sachet pricing came in and led to a huge growth for underserved markets. And this is equally true and largely true even for financial services, so for example if you pick up an insurance product or if you pick up a loan product, a credit product, the need

for the same in rural, the ticket size is so low that it starts to become unviable to meet by traditional business models. And then of course the awareness of digital and financial platforms or availability of physical and digital marketplace models is growing at a rapid pace in urban and we are yet to see any of this in the rural markets. Some of the urban market places do touch upon rural, but they're not really built for rural. And the other gap is that there is complete lack of awareness as well as literacy when it comes to using financial and digital platforms. Urban is served by a formal, organized service infrastructure and of course in rural there is a complete absence of the service infrastructure and therefore the whole lack of access that we're talking about. So what does all of this mean, because rural is different the products that you need in rural have to be made grounds up meant for rural and also the business model that you need to be able to enable for accessing the rural opportunity also has to be very relevant to rural and this is exactly where Spice Money comes into place. Spice Money has a unique business model where it utilizes the availability of existing infrastructure in the form of existing retail infrastructure and the trust that a retail merchant carries within rural to be able to deliver services to the rural in a viable manner. So, ultimately it is about economics because it is a shared infrastructure in an already existing infrastructure, the ability to provide a smaller ticket size product or service becomes far more viable and the fact that there is a local person who is able to establish a relationship of trust, it starts to become possible to transact financial services, where you essentially need trust to be able to serve the customer. So, that's where the Spice Money unique business model comes in, which utilizes the core of Digital Infrastructure and Technology and in already existing infrastructure of a network of Adhikaris to be able to do this. May I now request Sanjeev, who's the Co-founder and CEO, to take it forward from here.

Sanjeev Kumar:

Thanks Rajneesh! Good afternoon everyone and thank you so much for joining in. Over the next few slides and maybe 15 to 20 minutes, I want to cover on our operating model, the business model, especially what are we trying to do, the way forward and how we are trying to win Rural India in few of these services. So, carrying forward from what Rajneesh was speaking about on talking about the difference between urban India and rural India and fundamentally solving the

problem of lack of access, what are we trying to do is kind of build a Super App for rural consumers. Now, what does this mean in simple words, what did we do is, we said let's put the consumer in the center, a rural consumer, and let's put down all his needs, and if I can put all these services using Technology and I put another platform and when we build a network of Entrepreneurs who we call Spice Money Adhikaris, at every village and block of this Country, then essentially, why does the rural consumer have to step out of the village. So, fundamentally we are trying to solve the problem of access of all for the basic services that are rural consumer needs. So what we did is we bucket the services into these nine big ones. On the left (of the slide), we have services which we are live with. This is basic banking, Cash deposit, withdrawal, and account opening now, Money Transfer, Payments, Travel Services, Cash Collection, both from Enterprises and Consumers. We will talk about all these services in detail in few slides, there are lot of other use cases that we're trying to solve, financial services, Insurance, E-commerce Services, Assisted Shopping, Healthcare, Government Services, lot of Government to consumer services and Entrepreneur solutions primarily for the merchants in rural India. If we're trying to build all these services onto the Spice Money platform. And build this network of Entrepreneurs who can be the community influencer in offering these services to the consumers at every village.

If I extend the last slide of building that rural super app, looking at from a consumer lens, if I want to then talk about the business model, what are we doing? We're trying to build, in our parlance we call it, a very valuable ecosystem and what does it mean. So, if you look at the left (side of slide), we have all Service Partners, which can be also called as product manufacturers in our parlance, providing them service partners, banks and NBFCs. So on the left (side of slide), our service partners who want to provide services, who want to access the rural consumer, but are not being able to do it. On the right (side of slide), are the rural consumers who have these needs. In between is where we come. These are Spice Money Entrepreneurs who, like we said in the last slide, have been given in the app, who use this app. We've integrated those services products and services from these partners onto this app and these entrepreneurs serve the rural consumer. So it's a win-win for all. Service partners earlier couldn't

access this consumer, rural consumer because of unit economics. Now, we are solving for them that you're saying what, come on to our platform. We are there in rural India, for the Entrepreneurs, since they're able to serve, offer more and more services it's a source of livelihood for them, its increasing additional income and hence lot of Entrepreneurship is being created in rural India. And on the right is consumers who wouldn't have access to all these services all this while. Hence today they don't have to walk miles, they get all these services at the door step in the village.

So if I were to look at the road map of Spice Money, where are we headed, so if we continue the fundamental problem statement of solving the access challenge in rural India and then I continue to repeat rural India for us is the 6 lac villages and the 6,000 blocks. We've now at this stage we have built the largest network, which is primarily for Cash Deposit, Cash Withdrawal. There's also payments that has been built over that that kind of network. On that, now we're building the Cash Collection Network. Cash collection network is let's say more Enterprises, there are NBFCs that have given loans to consumers in rural India, and today they have to collect cash from them and we'll talk about in the latest slide how can I use this network for enabling consumers to come and deposit the cash at my counter. That's the second part. Third is, this network now expands to building the largest Banking and Financial Services platform for India. Post which like Banking and Financial Services, we'll add all other digital services like we spoke about in the Super app story, Travel, Commerce, Healthcare, G2C and 5th is a direct to consumer because at some point of time rural India there is a section of consumers who will go digital, the youth primarily. We want to be in the ecosystem, we want to be the first, we want to participate in that digital movement. Hence, we're also building the direct to consumer platform which is going to be enabled by this Adhikari platform.

So, let me take one example of now over the next 3-4 slides I want to talk about how we are solving this problem. So first problem like I said is the basic banking of cash withdrawal, what is the problem statement, so what happened is given that Jan Dhan accounts 43 crore accounts today got open and hence what happened is lot of

money in rural that started to move into the Bank Accounts. But the question remains where the infrastructure for these consumers to withdraw this money is. So problem statement is a rural Indian consumer would have to walk 20-25 kilometers to access the bank branch to withdraw money. This is where we come in using technology, obviously stack AePS solved by NPCI. We've been able to now on our network, a Spice Money Adhikari, the consumer walks up to our Adhikari network, he uses the Adhikari app through biometric and is able to withdraw money. The consumer is able to withdraw money from any of his Bank account. So today the consumer does not have to walk 20-25 kilometers to just avail basic banking of cash deposit, cash withdrawal.

How does this work? In the next slide I'll just talk about a consumer walks to a Spice Money merchant called the Spice Money Adhikari. He is equipped with a smart phone where the Spice Money app is installed on it. He has a biometric machine. The Adhikari enters the Aadhaar and Bank details. The consumer checks his bank account balance, withdraws money. The cash goes to the consumer. The money gets instantly credited to the Adhikari, including the commission for the transit. This entire transaction happens in about less than a minute.

The second part of the overall cash withdrawal problem statement is mobile ATM solutions. For example, there are many instances in rural India where the Bank Aadhar doesn't work because of fingerprints and other technical reasons. We've also solved it through let's say 1/10th of our network today has these micro ATM devices. Wherein, today a lot of these consumers come with debit card and they withdraw money from our outlet using debit card, another business line which has been growing significantly for us.

From the last two slides I was talking about solving for rural for ATM banking by using AePS Aadhaar enabled or either debit card, both solutions we have we been solving and we're the largest network there. The second piece again, which very interesting is the cash collection which regained some significant traction in the last 12 to 15 months and we see a lot of opportunities there. Problem statement is there is an enterprise like some microfinance NBFC logistic

company. They want to collect cash from rural consumers. What they have to do is they have to send their cash collection agent, to go to these villages, blocks, collect cash, come back to the district headquarters where the branches are, deposit money there. Here there's logistics challenge, there's fraud, that has cost challenges here. What have we done, we've tied up with these Enterprises and 47 Enterprise already on board till date and we said, why you have to tell the agent to go back to your branch, why doesn't he deposit that cash at our outlet? And that is something which is kind of scaled up, if you look at this matrix graph here on the right bottom, we did nothing on this business and we had in FY20- 9 crore, nearly 420 crore in FY21 which became 10,800 crore, and we're seeing this business increasing pass for nearly 4,000 crore in Q1. In the same space, we are now also expanding this for consumers to come and deposit money at our outlets at a village level. So this is another business line which we're solving for, which has got some increasing potential as we see this over the next few quarters.

Third adjacent to financial services, like we said, Digital Services, Travel is another one that we've picked up in the early stages, but we've been able to pick this up because of an adjacent problem statement we saw in our business, again 'access' if the rural consumer has to travel, he would have to walk to a block as there no travel agents in village, he wants to book tickets there, and even the agents would book tickets for these consumers didn't have a product. So, lot of them would use directly they would either book a ticket from IRCTC for these consumers or they would use different apps but a product solution was not there which would offer all products in one window. What we did is we launched Travel Union, which is an aggregator of all products of Train, Bus, Travel, Hotel on one app, which means that today including Spice Money Adhikaris and other Travel Agents in rural India, they can use their Travel Union app. To solve for 'to do travel bookings for rural consumer' at the Village and a block level. This business again has gained significant traction in last year, this was launched last year in August early days for us still as we try and build this business, but another business opportunity like we said, access problem, another business that we see tremendous potential.

So, if I want to talk about some quick key operating metrics and there are few that I want to highlight is entire business would continue to remain focused on transaction business, transaction GTV. So the customer GTV is grown by the Adhikari network, which if you look at the last few quarters were about nearly 10,80,000 Adhikaris today, which is about 6.8 lacs last quarter of last year. The entire customer transaction, GTV, gross transaction value that is grown is basically on the back of this. Like I said, the basic products that have enabled this has been the cash out, the AePS, mobile ATM services, money remittances and cash management, these are primarily the services that have enabled this growth. We obviously are expanding this to diversify with financial services like I said, cash management is increasing, is going to scale up further we're going to get into more of financial services and even basic services as we move forward. The last one on the right bottom, this graph is pretty important for us and this is what is the outcome of the growth that we've seen is in last two years what we've definitely demonstrated is we've been able to build this largest network and we are a number one player here and the AePS off-us market share roughly growing was closed last year and 16.4 we have closed the first quarter at 17.2 and we continue to increase this as we build the network. That's all from my side. I'm going to invite Sunil to take us through the financial metrics, so well Sunil over to you, please.

Sunil Kapoor:

Thanks Sanjeev. This slide represents the Spice Money, that's a Fintech business' last three years numbers and the CAGR growth with respect to financial numbers and on the right hand side we have put up the quarter results year on year and the last quarter. So if we see that our customers GTV from the quarter on quarter in comparison to the last year has grown from Rs. 18,000 crores to Rs.26,000 crores, almost 45%. Also in line, the revenue has grown from Rs. 69 crores to Rs. 103 crores. Almost 49% this is on the back of the number of Adhikari growth and the enhancement in the products and new product launches. And on the gross margin side, if we see that gross margin has improved in terms of percentage more than what increase in service revenue and the customer GTV that's due to product mix and the basis of what's the scale we are achieving. EBITDA for this quarter is almost 35% up from the previous quarter last year. PBIT is almost flat and if we see that service fees GM and

service fee revenue that has also got improved what I have explained is due to the product mix and the enhancement of the products. So EBITDA growth is almost 35% on year on year.

This slides represents the Consolidated Financial Summary which covers Spice Money and Digispice Technologies platform. As far as this quarter performance is concerned with respect to year on year we have growth, but on all other numbers we are having on consolidated numbers, we are kind of flat growth in comparison to the previous quarter, but on year on year we have grown. EBITDA is also kind of flat with respect to the previous year same quarter and we have little bit negative with respect to PBIT in this quarter, that's going to be improved in the coming quarters and if you see that Spice Money revenue to the total revenue that is almost 95%. And GM contribution is also coming to 87%. That's this slides represents that we are kind of on the growth of the Spice Money and we are building on the Digispice Technologies business. Thanks, over to you Shiv.

Shiv Muttoo:

We will now start with the question and answer session. Please note that Mr. Dilip Modi, Chairman, Digispice Technologies and Mr. Vinit Kishore, CFO, Digispice Technologies will also participate in the Q&A session. Request the participants to raise their virtual hand to ask the question. Please state your full name and name of the Organization you represent before asking the question.

There are no questions from any participant. We'll conclude this discussion and thank you for joining the Q1 earnings call of Digispice Technologies and with this, we close this session. Thank you for your participation.

Note: This Transcript has been slightly edited at few places for clarity and accuracy.